

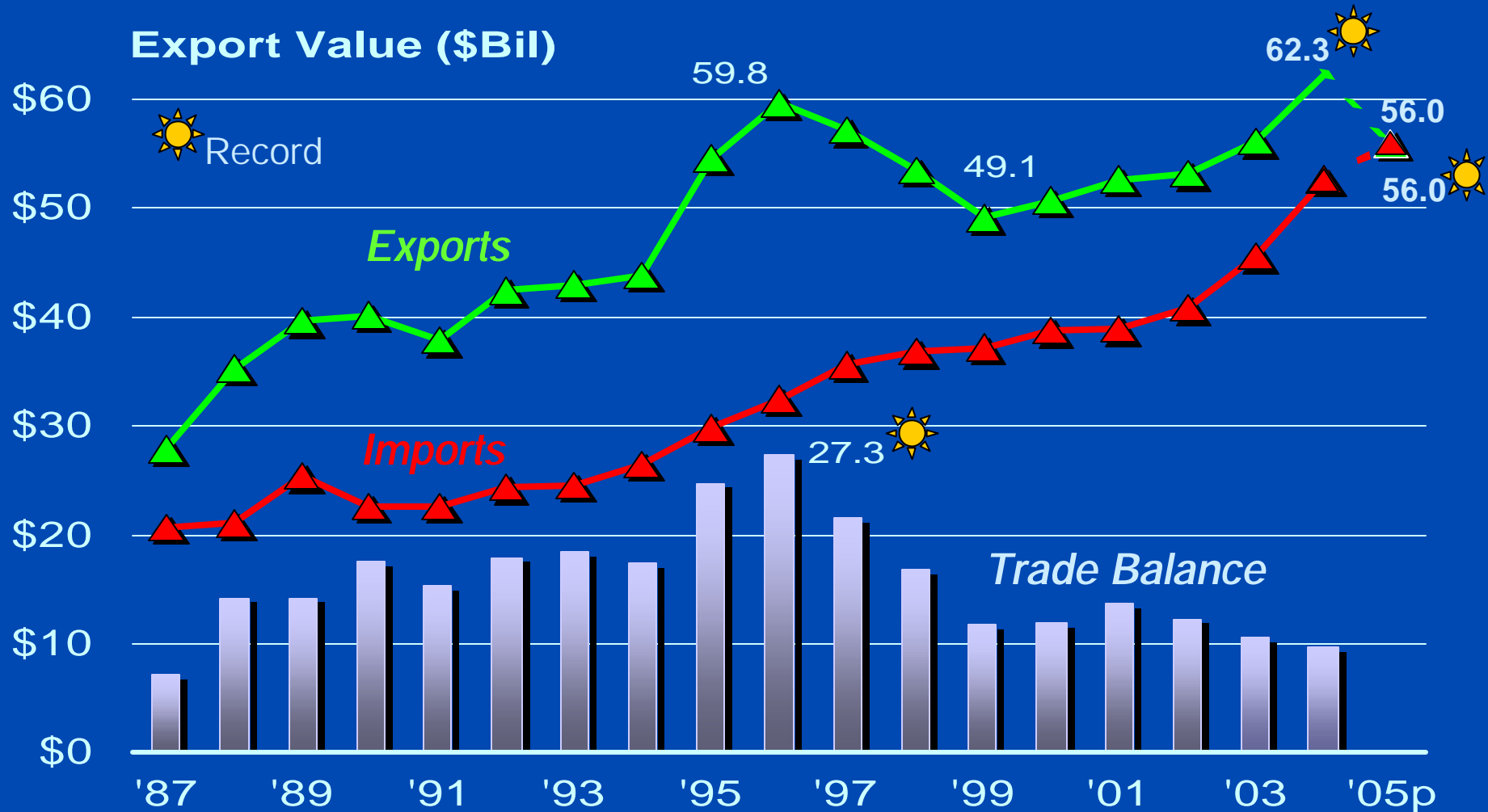
FY 2005 Export Forecasts for Ag, Fishery & Solid Wood Products

Since August...
AgExport Forecast Lowered \$1.5 Billion to \$56 Billion
Imports Raised \$1 Billion to a Record \$56 Billion,

USDA's "Outlook for U.S. Agricultural Trade"
was released on November 22, 2004 at 4pm EST
Prepared by Foreign Agricultural Service/USDA

U.S. Agricultural Trade

Large U.S. and foreign crops lower prices for grains, oilseeds, and cotton, and increased competition lead to sharply lower agricultural export value in 2005. Exports balance with imports for the first time since the late 1950s.



Key Changes in Export Projections for 2005

Commodity Projections – Changes from Aug to Nov

	Final FY 2004	Aug FY '05 For.	Nov FY '05 For.	04/05 Chg	Main Reasons
Corn (\$ Bil)	5.841	5.9	5.0	-0.9	(-)price, record US crop/global supply
Soybeans (\$ Bil)	7.463	6.6	5.7	-0.9	(-)price, record US crop
Wheat (mmt)	31.148	25.0	25.8	+0.8	(-)competition, Canadian wheat
Corn (mmt)	47.579	53.0	52.0	-1.0	(+)comp, Canadian feed wheat
Soybeans (mmt)	24.447	28.0	27.5	-0.5	Minor adjustment

Country Projections – Changes from 2004 to 2005

- China -\$1.5 billion to \$4.6 billion (5th)
- Japan -\$800 million to \$7.7 billion (2nd to 3rd)
- Mexico -\$400 million to \$8 billion (3rd to 2nd)
- EU-25 -\$300 million to \$6.5 billion (4th)

Top regional market: W Hemisphere exceeds Asia by \$1.8 billion

Export Outlook for Grain & Feed Products

Revised FY 2005 Forecast:  \$1 Billion to \$15.1 Billion

Revised FY 2005 Forecast

Key Upside Developments

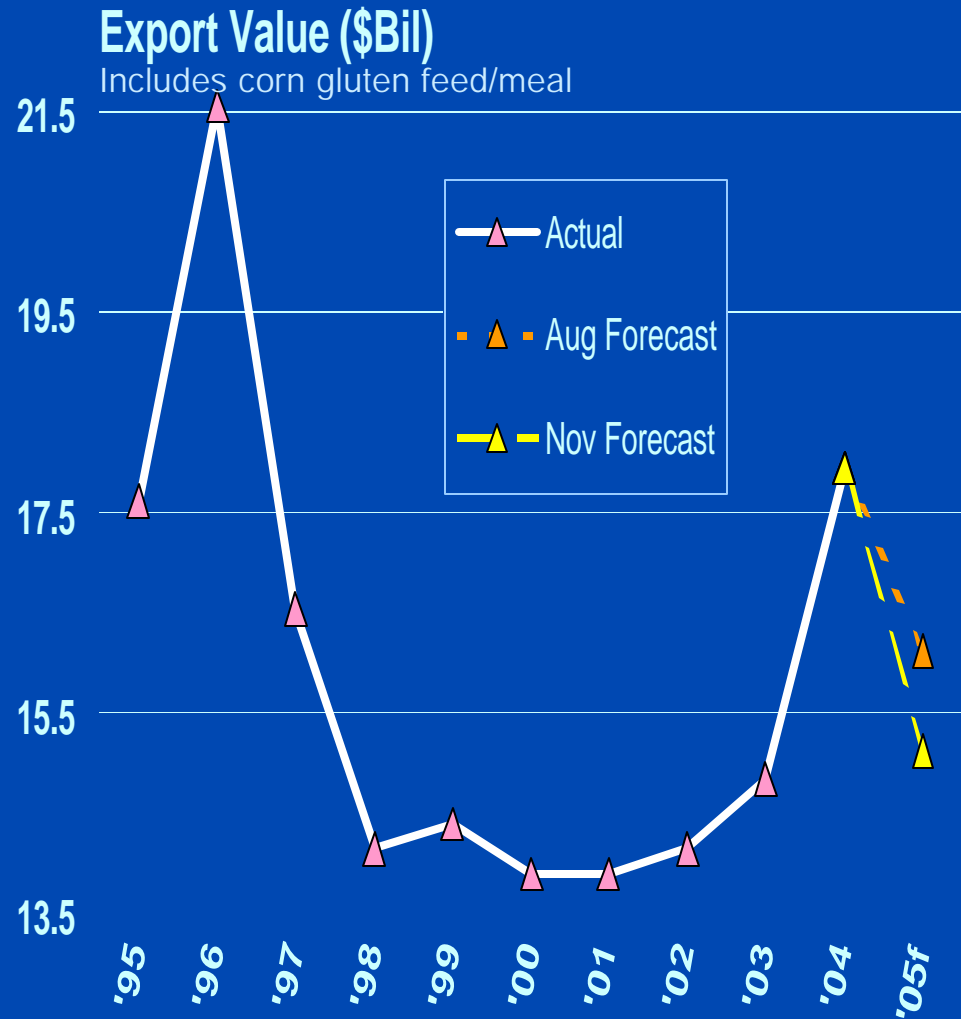
- U.S. wheat benefits from problems with Canadian wheat quality

Key Downside Developments

- Large global supplies lead to low prices, esp. for feed grains
- High freight costs dampen trade
- Strong competition from Black Sea and EU-25

Wild Cards

- Level of China's corn exports and wheat imports
- Competition from Southern Hemisphere new crop supplies



Export Outlook for Oilseeds & Products

Revised FY 2005 Forecast:  \$1.1 Billion to \$8.8 Billion

Revised FY 2005 Forecast

Key Upside Developments

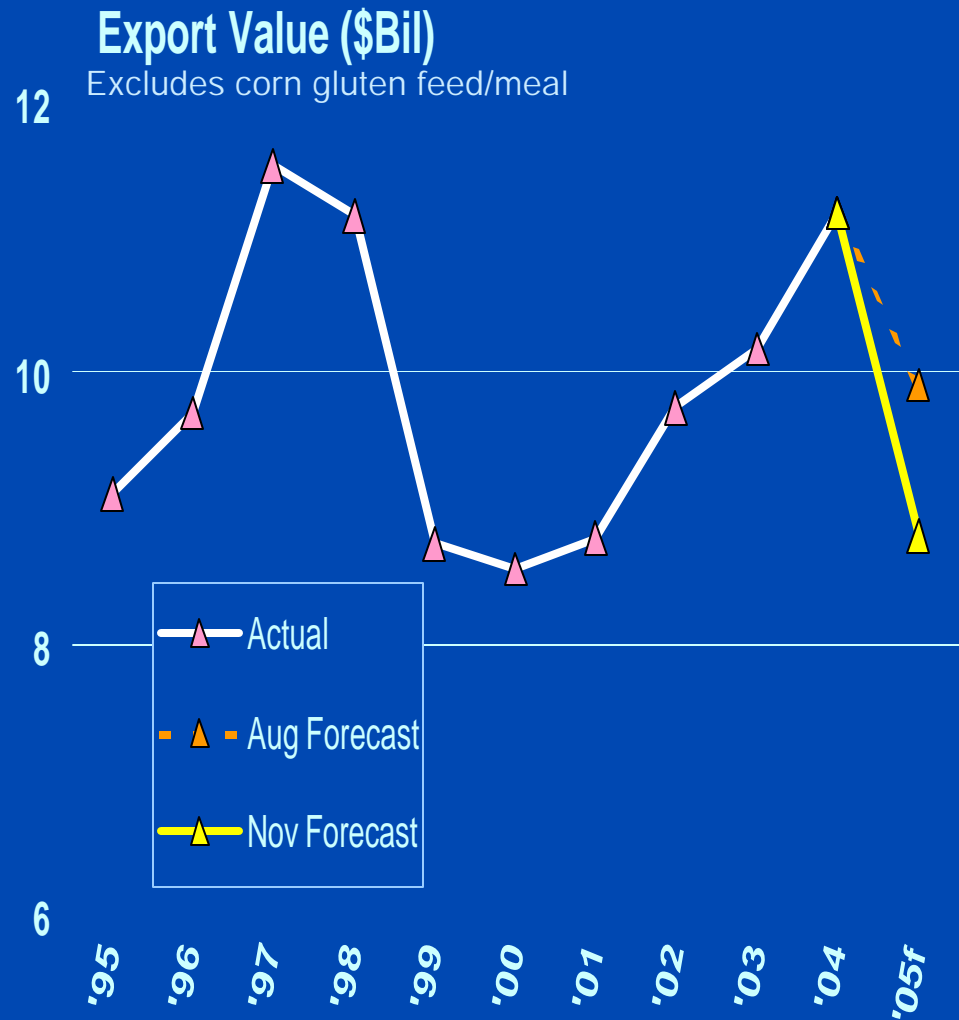
- Record U.S. soybean crop increases exportable supply
- Short 2004 S.American soybean crop reduces competition in early '05

Key Downside Developments

- Lower soybean and product prices
- Large EU grain and rapeseed crops reduce EU demand for soybeans
- China's soybean imports at record levels, but annual gains not keeping pace with increased soybean supplies

Wild Cards

- S.American production
- US grower response to the target price – sell soon or wait?



Export Outlook for Cotton & Linters

Revised FY 2005 Forecast: Steady at \$3.1 Billion

Revised FY 2005 Forecast

Key Upside Developments

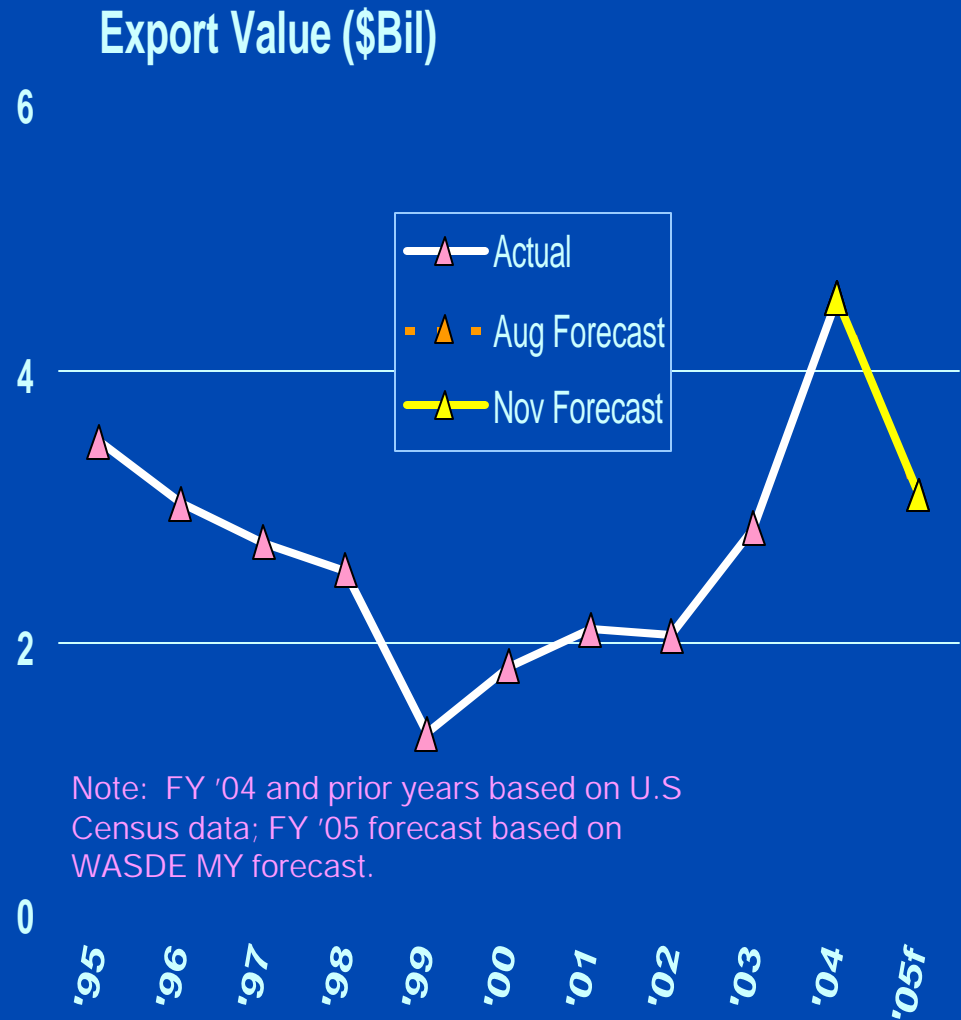
- World use up 2 million tons
- World imports up 200,000 tons

Key Downside Developments

- Sharp increases in U.S. and Indian production depress prices

Wild Cards

- Stock levels in China
- Demand response to lower prices



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2005 Forecast:  \$400 Million to \$10.8 Billion

Revised FY 2005 Forecast

Key Upside Developments

- Beef & pork raised \$100 million to \$3.1 billion supported by beef sales to Mexico and pork sales to Japan, Mexico and Canada

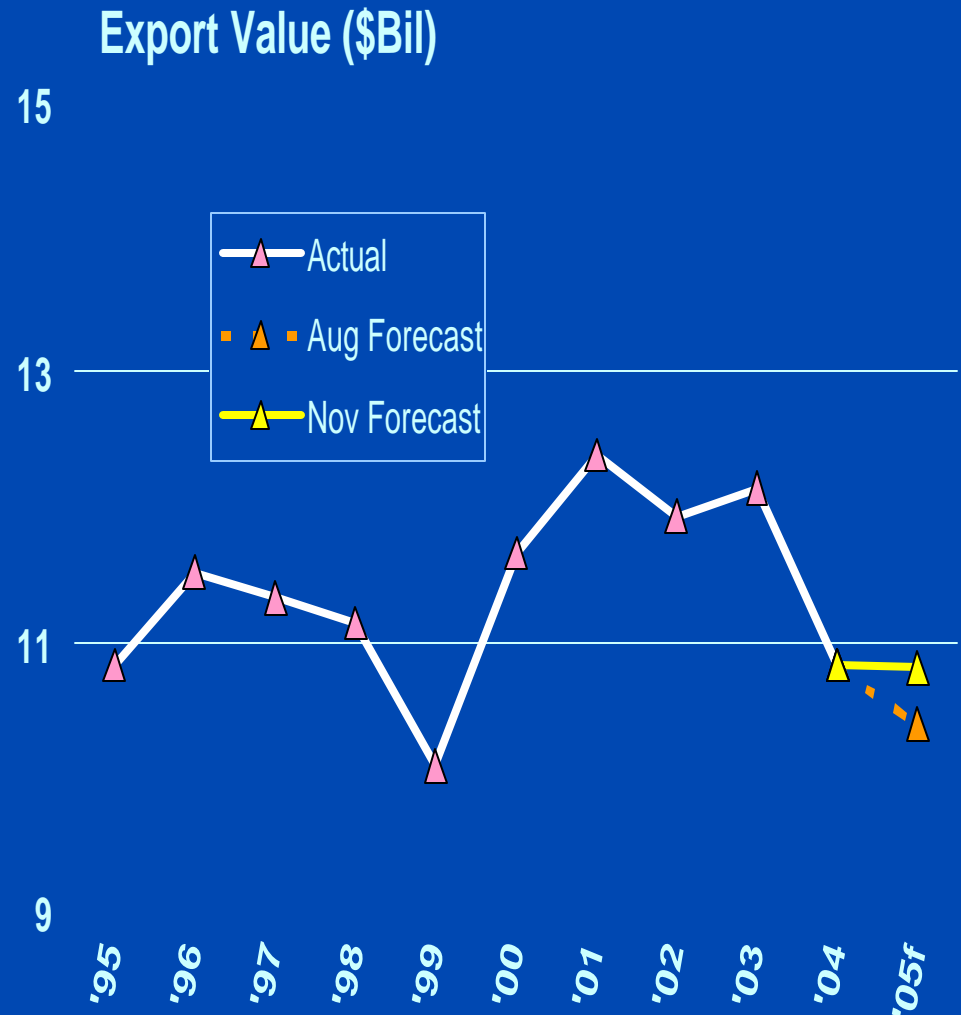
- Dairy product sales remain strong

Key Downside Development

- None

Wild Cards

- Timing of the lifting of BSE bans -- forecast currently assumes no resumption of beef trade with Japan and Korea; reopening these markets could add up to \$2 billion for the year



Export Outlook for Horticultural Products

Revised FY 2005 Forecast: Unchanged at \$13.8 Billion

Revised FY 2005 Forecast

Key Upside Developments

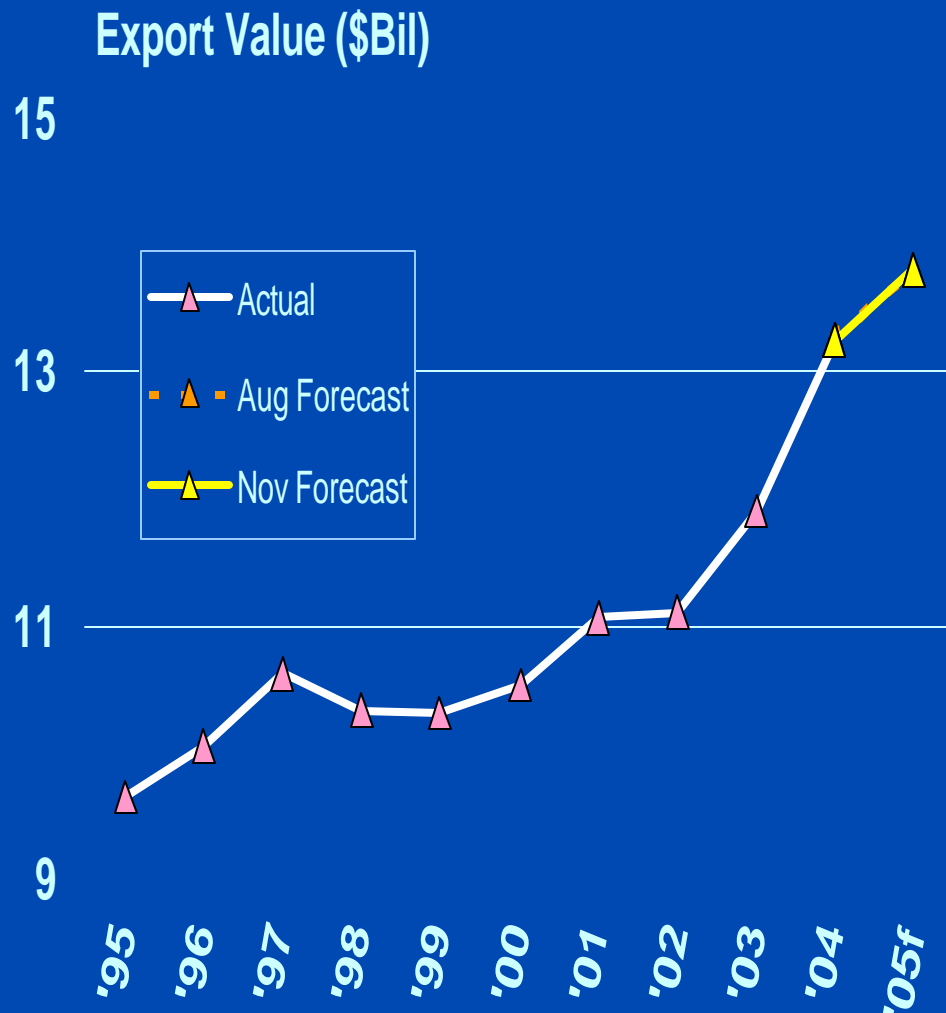
- Demand remains strong and exchange rates favorable
- Tree nut exports reach record \$2 bil supported by record/near record crops and almond crop failure in Spain
- Wine exports continue rising with abundant domestic supply and a competitive dollar

Key Downside Developments

- Florida hurricane damage sharply reduced fresh grapefruit supply
- Key SPS issues remain

Wild Cards

- U.S. crop sizes; prices



Export Outlook for Fishery Products

Revised FY 2005 Forecast:  \$100 Million to \$3.5 Billion

Revised FY 2005 Forecast

Key Upside Developments

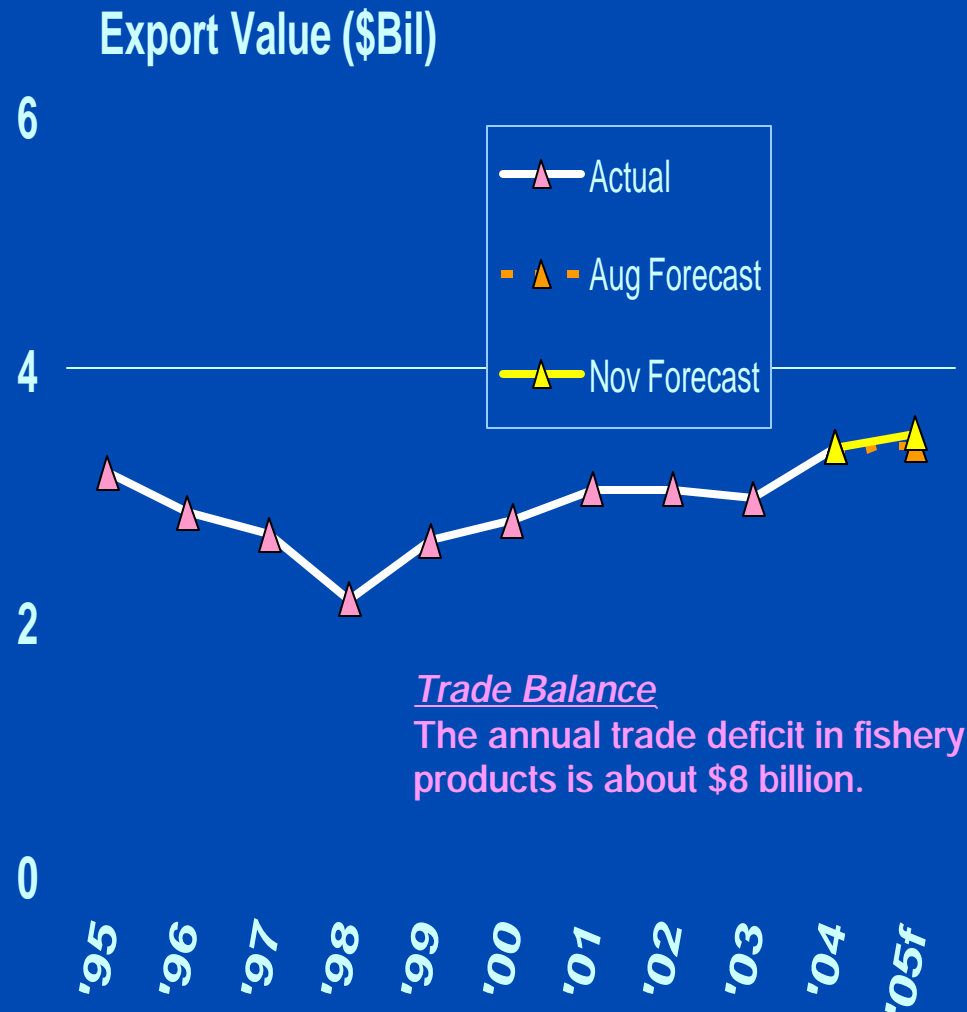
- ❑ Pollock fillets, cod and other white fish continue rapid export growth to the European Union (up 37 percent from 2003 to 2004)
- ❑ Exports to Japan, the largest market, and China expected to grow further (sales to Japan up 4% in 2004, and sales to China continued 5-year growth trend up 47% in 2004)

Key Downside Developments

- ❑ New Country of Origin Labeling requirements (scheduled to go into affect in April, 2005) may keep more U.S. product at home

Wild Cards

- ❑ Size of U.S. harvests of lobster, salmon, and other species



Export Outlook for Solid Wood Products

Revised FY 2005 Forecast: Unchanged at \$5.6 Billion

Revised FY 2005 Forecast

Key Upside Developments

- Exports to China increasing mainly due to hardwood demand from its furniture industry
- Exports to Canada at record level due to re-export demand created by U.S. housing market

Key Downside Developments

- Softwood exports to EU and Japan decline due to strong EU production
- Antidumping margins for Chinese wooden bedroom furniture could slow demand for U.S. wood

Wild Cards

- China's continued economic growth, which has fueled its domestic furniture demand

